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FISCAL IMPACT STATEMENT

LS 7649

BILL NUMBER: SB 396

NOTE PREPARED: Jan 13, 2003

BILL AMENDED:

SUBJECT: Informal Dispute Resolution for Nursing Homes.

FIRST AUTHOR: Sen. Miller

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill prohibits inspectors of nursing homes from belonging to a trade association of licensed health care facilities. The bill requires the State Department of Health to contract with an independent organization to operate informal dispute resolution for nursing homes and home health agencies. It requires the interdisciplinary team employed by the independent organization to consist of individuals with specific job experience. It also prohibits members of the interdisciplinary team and the individual's family from having financial interests in or being employed by nursing homes or home health agencies. The bill also raises the health facility licensing fee for additional beds in excess of 50 to \$3.50 per bed and raises the home health agency annual licensing fee to \$300. It further creates the Informal Dispute Resolution for Health Facilities and Home Health Agencies Fund.

Effective Date: July 1, 2003.

Explanation of State Expenditures: *Summary:* This bill would require the State Department of Health to contract with an independent organization to operate the Medicaid/Medicare certification survey informal dispute resolution process. Approximately 800 cases may be involved in the informal dispute resolution process each year. The bill specifies credentials and qualifications for the individuals responsible for the process and review of the survey results. The ultimate terms of the contract would be dependent on administrative actions of the Department of Health, but application of prior assumptions regarding this process yield an estimated range of cost between \$183,000 to \$460,000. This estimate does not include the cost of the extensive training requirements mandated by the bill (see detail below). The increase in the nursing facility bed license fee will result in an additional \$2,690 in General Fund expenditure. License fees are an allowable cost in the calculation of nursing home rates for the Medicaid program.

At this time, it is not known if the state may contract with an outside party for these services and continue to receive federal financial participation.(Currently state employees perform this function.) In prior years, 87% of the Medicaid/Medicare Certification and State Nursing Facility Licensure program was funded by the federal government. Additionally, the current level of resources being used to perform this function is not known at this time.

Background Information: The State Department of Health reported there were 564 state-licensed nursing facilities in Indiana, most of which are certified to provide services to Medicare and Medicaid beneficiaries. Currently, nursing facilities that receive survey discrepancies are allowed to do the following: (1) submit a plan of correction which outlines how discrepancies will be resolved; (2) request an informal dispute resolution, and if the facility does not agree with the outcome; (3) request an administrative appeal via a Department administrative law judge; or ultimately (4) request a court hearing outside of the administrative process.

The Department of Health has reported that more than 2,000 survey discrepancies may be noted during a single year, of which approximately 35% to 40% are resolved through the informal dispute resolution process.

The range of estimated contract cost is a result of different assumptions applied to the basic requirements defined in the bill. The workload is defined as 800 cases requiring 2 hours each for review, or 1,600 billable hours. The low estimate of \$183,000 assumes that a contractor would bill \$75 an hour for the services of the required professionals. One clerical support staff position is included at \$10.00 per hour. An administrative overhead of 30% is applied to the personnel cost resulting in an estimate of \$183,000. The higher estimate assumes that the specified professionals would be hired on a full-time basis at an average of \$40 per hour. Clerical support is also included for \$10 per hour, as well as the calculation of the assumed 30% administrative overhead. This results in the \$460,000 estimate. Neither estimate includes the cost that would be incurred if any of the professionals needed to attend the extensive federal survey training that is required by the bill.

Explanation of State Revenues: *Summary:* This bill will increase fee revenues from licensed nursing facilities and home health care agencies by approximately \$56,800.

This bill increases the annual license fee for home health agencies to \$300. Currently, the State Department of Health charges \$100 for annual licenses (although the current statutory authority allows them to collect up to \$200). The bill also increases the health facility license fee by \$1; from \$2.50 to \$3.50 for each bed over the first 50 beds. This bill creates the Informal Dispute Resolution for Health Facilities and Home Health Agencies Fund. The Fund is established for the receipt of the increase in fees and to provide funds to pay for the administration of the required contract.

Explanation of Local Expenditures: Licensed nursing facilities owned by local governmental units would have increased bed license fees. (See *Explanation of State Revenues.*)

Explanation of Local Revenues:

State Agencies Affected: State Department of Health; Family and Social Services Administration, Office of Medicaid Policy and Planning.

Local Agencies Affected: County-owned licensed nursing facilities.

Information Sources: Zach Cattell, Legislative Liaison for the Indiana Department of Health , (317)-2332170; Code of Federal Regulations, 42 CFR 488.331; Indiana State Department of Health Web Site; Evelyn Murphy, Director, Indiana Medicaid Long-Term Care Program; and the Indiana Administrative Code, 410 IAC 16.2-3.1-2.

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